

NE Minnesota Pulp and Paper Industry:

A decade of change
2010-2020

Jussi Pesonen, Pres/CEO UPM:

- “Structural changes in the industry – intensified partly by the financial crises – are both inevitable and necessary. The new forest industry is currently seeking its form.”
- 1/2009

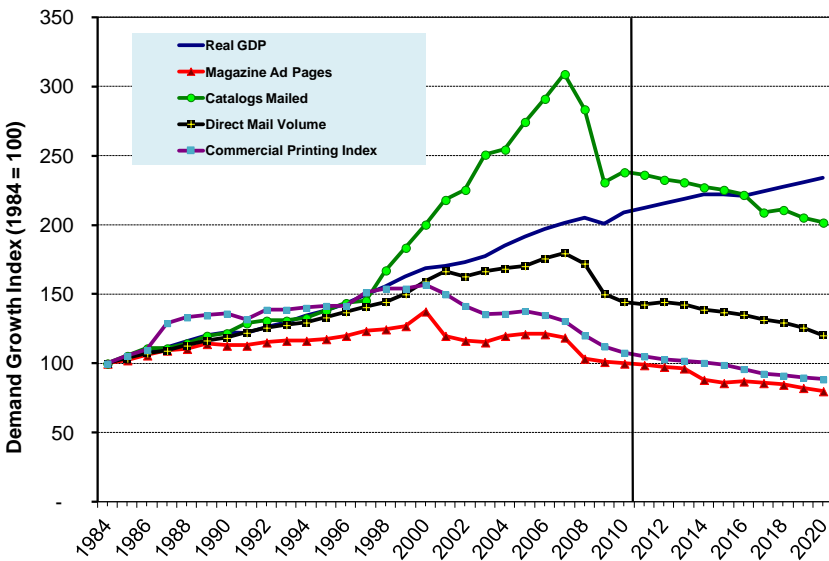
NE MN Pulp and Paper Mills:

Company / Mill Overview Relative to Grade and Market Participation

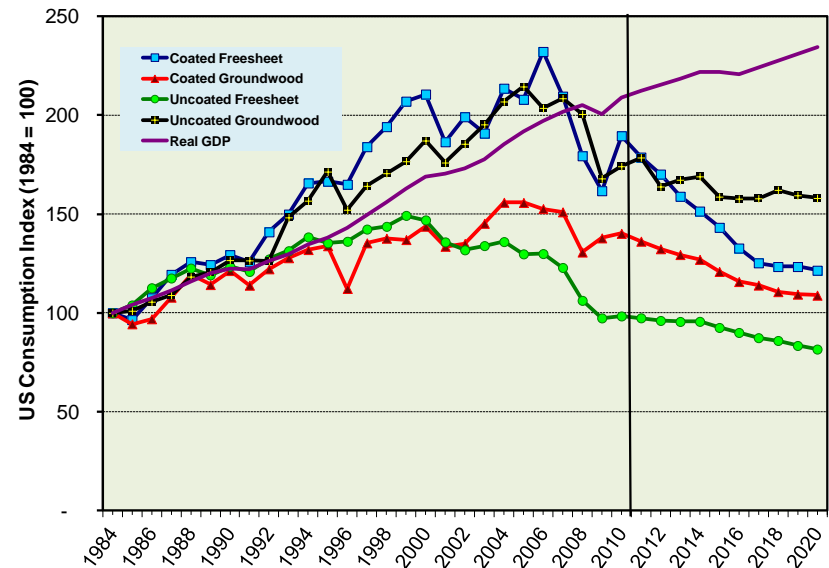
Mill	Company Global Size Ranking (2010)	Company NA Share / Rank in Grade	Primary Mill Grade	Major Grades / Papers	Mill Capacity (Tons)	Mill NA Share In Grade
UPM Grand Rapids	#7	7.5% / #5	Coated Ground wood (CGW)	Light and medium weight magazine	390,000	7.5%
SAPPI Cloquet	#15	24.7% / #2	Coated Freesheet (CFS)	Advertising brochures, magazine covers	330,000	6.0%
Boise I-Falls	#45	9.6% / #3	Uncoated Freesheet (UCFS)	Business, label, and printing papers	548,000	4.0%
New Page Duluth	#32	4.4% / #4	Uncoated Ground wood (UGW)	Inserts, catalogs	255,000	4.4%

Paper End Use and Consumption Trends

● End Uses (NA)

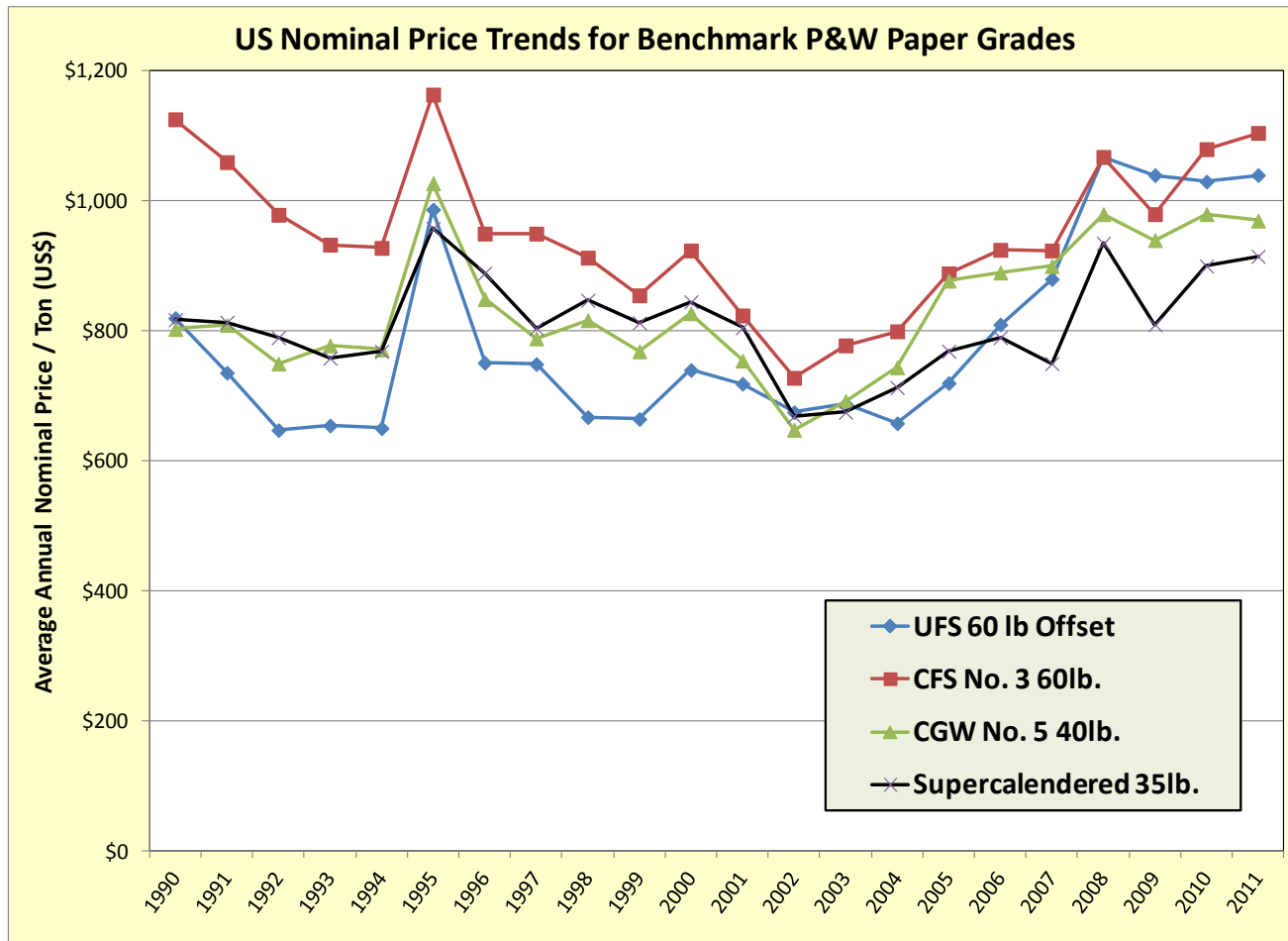


● Demand by Grade (NA)



But Pricing Has Held, Mostly...

Q: WHY?

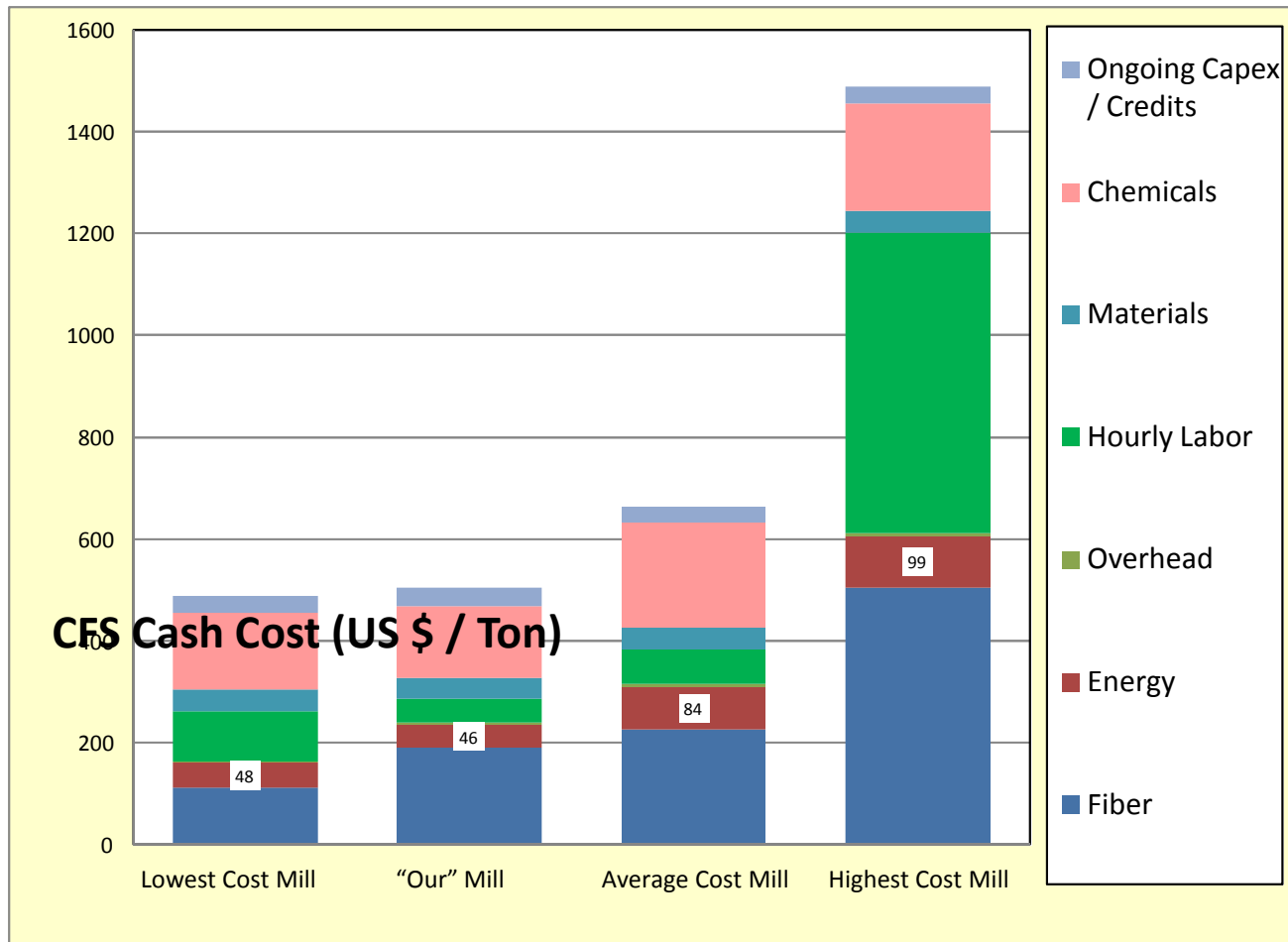


A: M&A/Cost Control/Efficiency/Capacity Shuts

NA P&W Paper Capacity Reductions 2008-2011 (Tons)

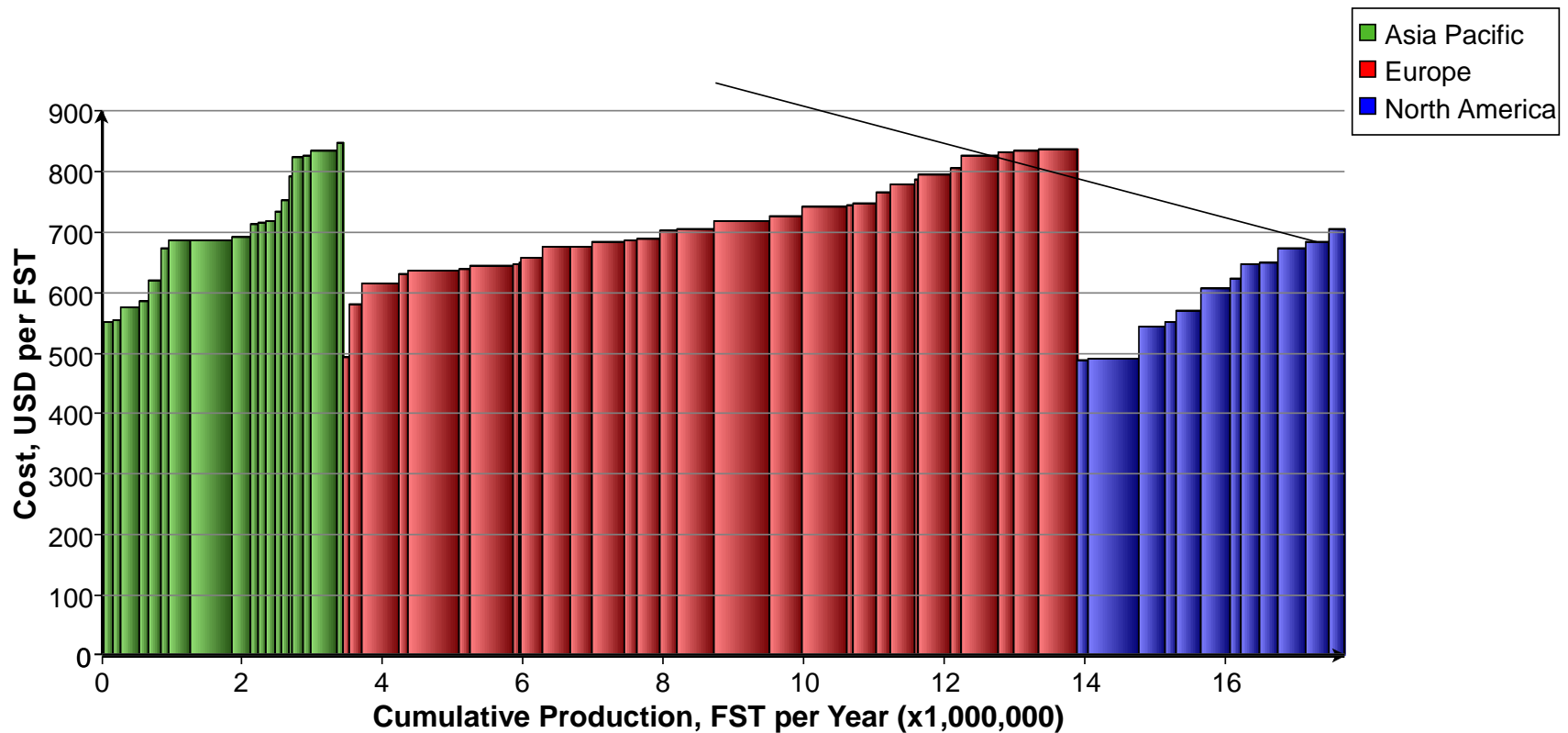
Grade	# Mill / PM Closures	Total Capacity Reductions	% of 2010 Capacity	Total 2010 Capacity
UFS	16	2,582,000	19%	13,752,000
UGW	8	750,000	11%	6,695,000
CFS	6	1,033,000	19%	5,500,000
CGW	6	1,054,000	20%	5,182,000
Total P&W	36	5,419,000	17%	31,129,000

Mill Mgr. Challenge: Compete in Class



Mill Mgr Challenge: Compete in World

Total Cash Cost and Cumulative Production

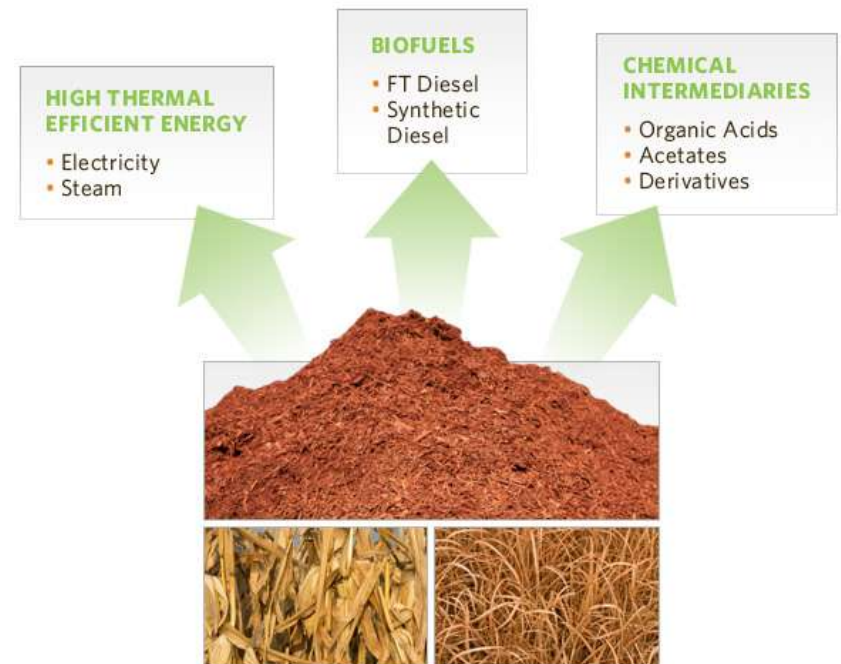


Mgr Challenge: New Product Development (Seeking higher margins)



Corporate Challenge: Revolutionary Product Development (seeking growing and high margin market)

- Sappi – Dissolving Pulp
- UPM – Biodiesel



What can NE MN Landscape Plan Do?

- Keep fiber costs down
 - Retain logging, forest mgmt and mill infrastructure
 - Support new developments at mill sites and in region
 - Other:
- The new forest industry is currently seeking its form.”
J. Pesonen, UPM